

# Management News



## BUSINESS CONDITIONS & FORECASTS

American Management Association 330 West 42nd Street, New York 18, N. Y.

VOL. 17, NO. 3

MARCH 29, 1944

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American Management Association



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### *The President's Scratch-Pad*

#### Shall We Return To "Normalcy"?

Getting the government out of business is a good and worthy postwar objective for America, and one especially attractive to business men. What a beautiful prospect not to be required to check with a government agency on practically every transaction that takes place and to get government approval on the most fundamental transactions that owners and managers must make! No more ceremonies before alphabetical tin gods, no more "inquiries" and trumped-up investigations, no more running to government by management and labor on every little flare-up that occurs. "It would be paradise, just paradise," says the business community.

Unfortunately for business, however, a great many of the business men who talk so hopefully are only talking, and doing nothing more. "Get government out and everything will be all right," they assure the world. Well, maybe. There are millions of people who do not agree, and why should they? "After the government is out, then what?" they reasonably inquire. While Eric Johnston and other men like him are supplying the answer to that question, it is to be wondered how many of the business men who listen to them with such pride understand *their personal responsibility* in the program that Mr. Johnston envisions.

#### GET OUT FOR "NORMALCY"

Painful though the reminder may be, it should be recalled that at one period in our history we talked about "returning to normalcy." Nowadays we laugh at that archaic phrase and discredited objective. We now know that there was no such thing as "normalcy" and that it

was only an illusion even in the decade when the phrase was coined. When business men ask that government get out of business and then offer nothing beyond that, it is normalcy that they are asking for.

The realities are that both the government and business have a joint responsibility which neither can efficiently discharge without the cooperation of the other. Business men who hold beliefs to the contrary are fighting a tide of sentiment that flows in the opposite direction, an excellent sample of which is contained in a new charter that will be offered for adoption to the International Labor Office when that organization holds its next conference. Here are some paragraphs from the charter:

"The days in which the State could consider that its duties were discharged if it provided some minimum income for the unemployed through insurance or otherwise have gone forever . . .

"Men and women will no longer tolerate an organization of society under which those who are willing and anxious to work are obliged to forfeit their self-respect by remaining idle through the critical years during which we must rebuild our shattered civilization.

"No political or economic system which fails to solve the problem of full employment will be acceptable to a world which has learned the potentialities of governmental action during two world wars.

"The hardy virtues of work, thrift, and self-reliance have lost nothing of their old importance, but in the complex industrial societies of modern times they are utterly inadequate to insure

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### TRENDS IN BUSINESS

#### GENERAL OUTLOOK

To the Baruch plan, the George plan, and the Truman plan must now be added a fourth reconversion program, the one presently shaping up in the WPB. This calls for an intergovernmental committee—headed probably by Charles E. Wilson—to handle the changeover in conjunction with the Board's industry advisory committees. Under it the major effort would be to get out the goods, with little or no attention to maintenance of established competitive relations.

Current emphasis on reconversion, however, should not blind industry to the fact that war production will be with us for a long time to come. Unless the Nazi regime collapses when the first beachhead is established in Western Europe, there may be little slackening of demand for matériel for some months, and even the end of the European fighting can mean a cut of no more than 30 per cent.

In the steel industry, for instance, many observers had expected government orders to drop off after the middle of the year, but Army Ordnance has now changed over to steel from wood and paper for artillery ammunition containers, and is adopting steel containers for shell fuses. If this program is continued, the industry will be kept at near capacity on war orders for the remainder of the year.

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#### PRODUCTION

Industrial production made a better showing in January than in December, but failed to reach the October and November levels. In January, the Cleveland Trust Company's index stood at 37.8 per cent (preliminary estimate) above the computed normal level, compared to 40.7 per cent above in October, 39.7 per cent above in November, and 35.4 above in December.

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Most notable advances were scored in iron and steel and in textile products, while smaller gains occurred in leather, stone, clay and glass, and food products. Output of transportation equipment, tobacco products, and chemicals declined.

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#### CORPORATE INCOME

A tabulation made by the National City Bank from the annual reports of 730 manufacturing companies shows that their combined net income for 1943 was only 2 per cent larger than in 1942, in contrast with the first nine months of the year when net income was up 13 per cent over 1942.

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#### DISTRIBUTION

Talk of clothing rationing, which had subsided during the winter months, is beginning to be heard again. Cotton textiles, especially, continue tight, despite cuts in Army and lend-lease allocations, and some informed opinion holds that civilian supply will have to take a 15 per cent cut.

Further, there appears to be no slackening in over-all demand for consumer goods. In February, it is true, department store sales dropped slightly below the figure for February, 1943, but that figure represented an abnormal buying wave occasioned by the announcement of shoe rationing. And in March the total seems likely to surge up again, especially in certain sections of the country. During the early part of the month, for example, Atlanta store sales showed an increase of 38 per cent over the corresponding 1943 period; and in parts of the Southwest, the rise amounted to 30 per cent.

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#### TRANSPORTATION

There are now about 4,000,000 fewer passenger automobiles on the roads than there were two years ago, and the rate of decrease is accelerating. While this trend may promise a healthy postwar demand, it is likely to be anything but helpful in the coming months. "There is not much real danger," says the Cleveland Trust Company, "that we shall experience a general shortage of automobile transportation, but we may have an uncomfortable amount of it."

#### SOURCES:

ALEXANDER HAMILTON INSTITUTE  
BROOKMIRE, INC.  
BUSINESS WEEK  
CLEVELAND TRUST COMPANY  
DUN'S REVIEW  
FEDERAL RESERVE BANK OF  
NEW YORK  
NATIONAL CITY BANK

## HEARD AT AMA MEETINGS

#### U. S. ARMY SURRENDERS

Incident in the African invasion related by Colonel Leonard H. Nason at the Personnel Conference, February 9-11 at Chicago:

"Along about midnight, the column stopped. We went up ahead and found our advance guard deployed and ready to fight, and a battery of field artillery in position. The General asked: 'What the hell is going on here?'"

"There is some kind of a barricade in the road,' he was told. 'We thought the place was mined, or the French were going to resist. So we stopped to see.'

"At that a man stepped out of the shadows and said, 'May I give you my card?' He was an old fellow, a road-mender, wearing seven or eight medals. He continued: 'I live in a house here, and I put up this little barrier to stop you because I am a Frenchman and this is my country. I landed here in 1907 with the First French Expeditionary Force, and I am going to defend it against any so-and-so who comes into it.'

"I translated that to the General, who said, 'We've got to get going, but we don't want to run over the old man.'

"So we told the Frenchman: 'You defend it very well, only we have an American Army division of 600 medium tanks, and we have to get to Casablanca. Suppose you surrender to overwhelming force, to save effusion of blood.'

"The old man agreed to give in if he could have the flag off the command car. The General refused to give up the flag, but suggested an alternative, 'You tell him we will surrender to him. Then he can parole us, and we will go on to Casablanca.'

"That is fine,' said the old man, 'thank you very much, boys. Good luck to you. Now let me help clean the road up so that you can get along.' And then he helped us sweep the stuff out of the way, and off we went."

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#### PLACING VETERANS

Two new government publications should make it easier for industry to utilize the new skills returning veterans have acquired in the services. Government occupational analysts, Brigadier General William C. Rose, of the War Manpower Commission, reported at the Personnel Conference, have lined up all Army and Navy jobs with their civilian equivalents, using the job family technique, and their findings are contained in *Special Aids for Placing Army Personnel* and *Special Aids for Placing Navy Personnel*.

The Navy booklet was out at the time of the Conference, while the Army publication which was on the presses at that time, will probably appear shortly, if it is not already available. Information about the two may be obtained from the Occupational Analysis Division, Bureau of Manpower Utilization, War Manpower Commission, Washington, D. C.

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According to Colonel Paul H. Griffith, Chief, Personnel Division, National Headquarters, Selective Service System, Selective Service has processed about a quarter of a million cases of men who were separated from military service through hospitals on certificates of disability, and in only one case was the System required to institute suit against a private employer to force him to recognize the right of reinstatement.

In that one case, the matter was settled before trial, when the employer agreed not only to reinstate the veteran but to pay him about \$650 in back salary.

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#### MANAGER OF TERMINATIONS

Every company holding war contracts should promptly appoint a manager of terminations, Donald M. Russell, Resident Partner, Lybrand, Ross Bros. & Montgomery, Detroit, declared at the Finance Conference, March 1-2 in New York. In larger companies, he added, there should be one or more committees.

"In my opinion," Mr. Russell said, "a man with the capabilities of a corporation controller is well suited for the post. Among his prime duties will be to study the government regulations and the available literature (no small task in itself), to attend meetings, to keep abreast of the changes (of which there will be many as time goes on), and to contribute, so far as possible, to the solution of the problems common to his industry."

"It will also be his responsibility to pass on the information he acquires to his own organization, by published bulletins and written instructions, or through group meetings. . . . Where possible company representatives should be sent to the study groups being held in the various Ordnance Districts under the leadership of War Department officers."

\* \* \*

#### AH WOO-OO-OO

Actual clause in a union contract reported by a panel member at the Personnel Conference:

"After two years' continuous association with this employer, women employees shall be granted leaves of absence of six months for maternity."



# RESEARCH DEPARTMENT

## Marketing Research

Because the already-evident shift in emphasis from production to distribution is likely to become even more pronounced in the highly competitive post-war era now anticipated, it is no longer possible for executives to short-circuit *scientific analysis* of the problems involved in the transfer and sale of goods and services from producer to consumer. Intelligent planning requires that a fair share of attention be devoted to systematic study of past, present, and potential markets, and to discovery of the most efficient methods of determining and fulfilling demands for goods and services. This need is even more pressing if we consider that we are entering upon a period when many existing companies will undertake the manufacture and distribution of new products and many new companies will appear.

### NEW AMA STUDY

The AMA has just completed a study\* of practices and trends in promoting the application of scientific methods and research findings to marketing. Some 45 companies, selected on the basis of reputation for effective marketing operations, responded to a detailed questionnaire. They were queried on such points as the following: *What setup has the company adopted to carry on marketing research? Why was this particular setup chosen? To what official in the company does the individual in charge of marketing research report? What is the size and composition of the marketing research staff? What activities and projects commonly associated with marketing research are included in the company's program? What sources of marketing information does the company utilize?* Returns were supplemented by information secured through personal visits with marketing executives, as well as by consultation of the authoritative literature in the field. It is possible to present here only a few of the highlights of the completed report.

### TREND TOWARD CENTRALIZATION

One of the most significant revelations is an unmistakable trend toward centralization of marketing research—in a separate department, a specialized unit, or the equivalent. It is the contention that while each executive involved in the distributive phase of the business should at all times be vitally concerned with re-

search activities, he can operate far more efficiently if the actual task of collection and analysis of data is assumed by well-qualified research personnel and the findings are made available to him in a concise, professional way.

Questionnaire replies also reflect the growing stature of the director of marketing research activities. Authoritative opinion favors making him responsible to an official with company-wide rather than departmental jurisdiction, as a means of securing a broader sphere of activity and more effective coordination of functions, of eliminating self-interest, and of encouraging greater objectivity. And reporting managements have definite ideas regarding the educational requirements, the previous experience, and the personal characteristics the research director must possess to fill this enhanced position. These may well be expected to evolve into real standards for the profession.

Naturally, considerable diversity was found in the specific functions included in research programs and in the emphasis placed upon them. Broadly marketing research functions relate to seven categories of marketing problems: (1) marketing policies and methods; (2) markets; (3) products and services;

(4) sales promotion (including advertising); (5) sales performance; (6) channels of distribution; and (7) competition.

### CONTRIBUTIONS

The major contributions of marketing research, as specified by respondents, are outlined below:

1. An organization is enabled to build its marketing structure on *facts*, thus eliminating much of the inefficiency and waste incurred by distributive efforts based wholly on past experience, intuition, and pure chance.
2. Marketing executives, sales personnel, as well as employees generally, are more confident of the soundness of their operations and activities.
3. Major operating executives in the organization develop an understanding and appreciation of the product or service and of marketing methods in general, which gives them good reason for becoming sales-minded.
4. The findings of marketing research indicate the direction which technical research should take by providing concrete data on customer preference in composition, design, or other attributes of the product or service.
5. Marketing research fosters good will, in both the consumer and industrial markets. As the activities become more firmly rooted in scientific methodology and professional viewpoint, a cooperative spirit is introduced—between producer and consumer, between producers of complementary products, between producer and wholesaler, etc.—resulting in improved marketing methods for entire industries.

Because of these and other contributions, one executive has aptly characterized a program of marketing research as constituting an "insurance policy."

## WHAT MANAGERS ARE SAYING

### 'EXODUS FROM WASHINGTON'

I should like to make a comment on the editorial dealing with the "Exodus from Washington" which appeared in the December 29 issue of the *Management News*.

It seems to me that the major reason business men experience difficulties in Washington is their unwillingness or reluctance to recognize that politics is a part of our national life, a part entirely separate and complete in itself. They appear to think of it as a "sideshow" for which industry pays the bill. Business men who would not attempt to handle a minor legal case in court themselves go to Washington, where it is much more difficult to comply with all the standard procedures without making any attempt to discover the precedents and proper tactics.

In the past, business men have worked behind the scenes. While they have appeared before Congressional committees, most of their basic arguments have been submitted in private conversations. Thus the general public seldom hears of their presenting a constructive statement; it hears merely of their opposition to measures which have a popular appeal to some large segment of the public, such as labor, the farmer, or the small business man.—*Industrial Relations Executive, Aviation Company.*

### MANPOWER CONVERSION

We anticipate that "manpower conversion" will be a harder job than plant conversion.

After the last war there was a song entitled "How Ya Gonna Keep 'Em Down on the Farm After They've Seen Parade?" To put it simply, I wonder how we are going to get eight hours' work for eight hours' pay after employees have had a taste of high overtime earnings and the tendency of the supervisors to overlook minor infractions of the rules during the war period.—*Production Manager, Candy Manufacturing Company.*

### KEEPING CUSTOMERS HAPPY

We have followed an "all out for war" policy, since we feel it is our duty to do so. However, we are not altogether out of the civilian picture, and the result is that we have a serious problem.

Some of our old customers see others getting our products when they are unable to obtain them, and, although we have done everything in our power to distribute what we have equitably, in many cases they are beginning to feel that we have let them down. We have used every device known to us to hold the good will of these customers (except supplying them with products, which, of course, we are unable to do), but it does not seem to be enough.

No doubt you have other members whose problems are similar to ours, and we should like very much to know what they are doing, or plan to do, to regain the good will and the business of old customers.—*Sales Manager.*

\*A Company Guide to Marketing Research: Special Research Report No. 5. Available to company members early in April; to non-members six months from date of publication.

# ACTIVITIES of the AMA

## Production Conference April 19 - 20 To Analyze Termination Problems

**Costs, Methods, Foreman Unionism Also  
Slated for Discussion at Chicago Sessions**

Areas of industrial management in which the war has brought the greatest changes and current new problems of war production will form the subject matter of AMA's Spring Production Conference, taking place Wednesday and Thursday, April 19-20 at the Hotel Drake, in Chicago.

The first day will be devoted to discussions of the war production record and outlook and to the factory executive's responsibilities in contract termination. Speakers will include Erwin H. Schell, Department of Business and Engineering Administration, Massachusetts Institute of Technology, AMA Vice President for the Production Division; Stacy May, Director, Bureau of Planning and Statistics, War Production Board; Clarence Collens, President, Reliance Electric & Engineering Company; J. D. Greensward, Assistant to the Treasurer, Allis-Chalmers Manufacturing Company; and Thornton Lewis, Chief, Public Service Branch, Readjustment Division, Headquarters, Army Service Forces.

On Wednesday evening the speaker will be James F. Lincoln, President, The Lincoln Electric Company, whose subject will be "What Management Has Learned from War Production."

At a panel session Thursday morning, representatives of such companies as Johns-Manville, Norton, Westinghouse Electric, and General Motors will discuss "Cost Reduction and Methods Improvement." The Thursday luncheon speaker will be John Brophy, C.I.O. representative on the National War Labor Board, and his topic will be "What Labor Has Learned from War Production."

The Thursday afternoon session will feature four talks on management's problems in connection with foremen:

### Insurance Meeting Dates Changed to May 8 and 9

The AMA Insurance Conference, originally scheduled for May 24-25, has been advanced to May 8-9. The meeting will take place at the Hotel Commodore, New York City.

Program announcements will be mailed shortly to members of the Insurance Division.



Erwin H. Schell

### November PERSONNEL Reprinted by Demand

The November issue of PERSONNEL, unavailable for some time because the original edition was exhausted, has been reprinted, and copies may now be purchased from AMA Headquarters.

This issue features "A Guide to Personnel Counseling," which outlines the steps in setting up a counseling program and the procedures to be followed, and which a number of companies have been anxious to distribute to their personnel counselors.

Other articles include "The Follow-Through of Training," by R. S. Driver; "Employee Attitudes Before the War and Now," by Arthur Kolstad; "Incentives for Indirect Workers," by Albert Ramond; "The Wartime Program of the Apprentice-Training Service," by William F. Patterson; and "New Clauses in Labor Agreements," by James J. Bambrick, Jr.

**Make Conference Reservations Early**

## Special Collective Bargaining Session Scheduled May 24

A special one-day conference is being planned under the auspices of the Personal Division of AMA for May 24, Hotel Astor, New York City.

The conference, arranged in line with appeals from William H. Davis, National War Labor Board, for management and labor to undertake a careful study of the scope of collective bargaining, will be addressed by members of the NWLB, management officials, and impartial chairmen.

### The President's Scratch-Pad

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reasonable opportunities for the individual or the maintenance of decent standards of well-being throughout societies."

By some of us such principles will be regarded as heretical and un-American but they are nevertheless the bed-rock political and social beliefs of millions of Americans. Can industry do what the ILO asks government to do? Can government do it without industry? Obviously, the answer to both questions is, "No."

### NOT '29—OR '39. EITHER

An Englishwoman who is a student of management in that country and who is now studying industrial conditions in the United States recently described to a group of American executives the social and industrial changes that the war has brought in England. "Everything is different," she said, "It will never be the same as it was in 1939. Anyway who wants to go back to 1939?"

We are not going back to 1939 either. And neither will we go back to 1929. We do not want the twenties and their "normalcy" nor do we want the thirties, when government needled business almost for the sheer sake of needling and political and social hatreds nearly extinguished the light of liberty that we are trying to hold aloft. Government and business will and can work together; the last two years have proved it. They can work together for something better than 1929 and better than 1939, provided they will only trust each other.

*Alvin E. Dodd*

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